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STATE FOR OES/ENV

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E.O. 12958: N/A

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SUBJECT: Northern African Solar Energy: A Silver Bullet Against the
CO2 Werewolf?

SENSITIVE BUT UNCLASSIFIED. PLEASE PROTECT ACCORDINGLY.

¶1. (U) SUMMARY: Major European investors led by Germany are in the preliminary stages of developing "Desertec," a 400 billion euro renewable energy project with the potential to supply 15 percent of Europe's power needs by 2050. The group electrified renewable energy proponents with the announcement of a formal consortium aiming to tap solar energy resources in the deserts of Middle Eastern and Northern African (MENA) countries and transmit it as electricity to Europe. Fresh water production and job creation would be part of the project, which could make it attractive to possible hosts of its infrastructure. END SUMMARY

Desertec - Solar Energy and Fresh Water
for Europe and Africa

¶2. (SBU) On June 15, 2009 the world's largest reinsurance firm, Munich Re, announced a consortium of around 20 large German companies which aims to build concentrating solar thermal power (CSP) plants in MENA deserts and transfer the electricity to Europe over high-voltage direct current (HVDC) cables. Although the transmission distance would result in some power losses, the vast solar resources in the MENA region make the project economically feasible in the long-term. Although no official list of participants has been published, it is known that the group includes a member of the Arab League and a variety of Spanish and Italian interests. Siemens, Deutsche Bank, and the German energy firms REW and E.ON are involved, and the Social Democratic Party of Germany (SPD) has made the plan central to its new energy strategy. The consortium will meet on July 13 in Munich discuss its next steps.

Technical and Geopolitical Challenges Remain

¶3. (SBU) The projected investment of 400 billion euro through 2050 includes 50 billion for the construction of an advanced power transmission grid and 350 billion to build the system of CSP plants. Desertec uses existing technologies which have been successfully implemented in Spain and the United States and will increase its efficiency by utilizing solar collectors that superheat salt, allowing the system to store heat and generate power around the clock. Desertec faces tremendous financial, political and security challenges in the historically unstable MENA region. Ernst Rauch, head of the Munich Re Corporate Climate Center, admitted in a meeting with Munich Pol/Econ that while Munich Re was "overwhelmed with the positive, almost religious, reactions" to Desertec, "no one

will invest in a grid this size if the entire project is not seen as feasible." Rauch hoped that a "win-win" arrangement with the countries hosting Desertec would act as a regional stabilizer because they, too, would benefit from the power, jobs and desalinated water produced by the CSP plants.

Desertec Gives Killjoys Plenty to be Skeptical About

¶4. (SBU) Despite the hoopla surrounding Desertec, the project is not devoid of criticism, even from some supporters. For example, Wulf Bernotat, chairman of the board of energy giant E.ON, cautioned an energy seminar at Munich's ifo Institute on June 29 that Desertec would, for example, encounter enormous problems in Europe getting permits and financial and political support for an entirely new transmission network. Members of the energy industry that are not poised to reap the project's benefits have tried to dampen enthusiasm, such as Lars Josefsson, Vattenfall CEO and Climate Advisor to Chancellor Merkel, who publically criticized the project as being "unrealistic" due to its cost. He has noted Desertec's vulnerability to terrorist attack. (COMMENT: Vattenfall is heavily invested in the European coal industry and is lobbying for "clean coal" with CCS technology as its solution to global warming. END COMMENT) Much of the German solar power industry voiced concern that the project would eliminate funding for smaller, more "realistic" domestic projects.

Comment

¶5. (SBU) Current assessments of Desertec's feasibility range from hopeful public enthusiasm to pessimism about the enormous political and financial challenges. The consortium seems to be counting on

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public support as the catalyst needed to mitigate the skepticism.

¶6. (U) Consulate General Munich coordinated this report with Embassy Berlin.
NELSON